

Tech Co. Can't Dodge Netlist's IP Suit On Hypothetical Product

By **Kat Greene**

Law360, Los Angeles (April 02, 2014, 9:32 PM ET) -- A California federal court on Tuesday shut down a Canadian memory storage company's bid to throw out Netlist Inc.'s patent infringement allegations on a product that has not yet been made, rejecting the idea that the product has to be reverse-engineered before proving infringement.

U.S. Magistrate Judge Jacqueline Scott Corley denied Diablo Technologies Inc.'s attempt to strike patent infringement allegations, finding that even though Diablo's product hasn't yet been produced, Netlist has shown enough evidence in existing patent applications and other materials to suggest that the product, which expands a computer's memory, infringes on Netlist's patents, according to the decision.

Diablo argued that Netlist's suit breached Patent Local Rule 3-1 because the allegedly infringing device, the ULLtraDIMM, hasn't yet been produced or sold, and Netlist therefore couldn't have reverse-engineered it to show it was identical to its product, according to the suit.

"Netlist has satisfied Rule 3-1's requirement to give Diablo notice of its infringement allegations and why it believes it has a reasonable chance to prove infringement," Judge Corley wrote in Tuesday's decision. "Whether Diablo has actually offered to sell an allegedly infringing device is not at issue in connection with Rule 3-1."

Netlist initially brought suit against Smart Modular Technologies Inc. and its units in July, alleging that Smart Modular deliberately withheld material prior art material from the U.S. Patent Office when it applied for and received U.S. Patent No. 8,250,295.

Smart Modular then filed a "sham" patent infringement suit against Netlist, seeking an injunction against Netlist's flagship memory product, the HyperCloud, and saying it infringed on the '295 patent.

Smart Modular allegedly told Netlist that it had deeper pockets and could litigate until the company went out of business, according to the cross-complaint filed by Netlist in July.

Diablo was added to the suit in August, when Netlist filed its first amended complaint, according to court records. Diablo partnered with Smart Storage, a unit of Smart Modular, to develop the ULLtraDIMM product that Netlist says infringes on its patent.

On its website, Diablo referred to the HyperCloud product to sell one of its own memory units, Netlist alleged in the suit.

Netlist has a series of patents, U.S. Patent Numbers 8,001,434; 8,301,833; 8,359,501; 8,516,185; and 8,516,187, that protect its memory technology, it alleged in the suit. The memory modules peddled by Smart Storage and Diablo infringe on those patents, Netlist said.

Tuesday's denial by the magistrate judge shut down Diablo's contention that Netlist employed "guesswork" to arrive at the idea that Diablo's yet-unproduced product infringes on the Netlist patents.

Representatives for the parties did not immediately respond to requests for comment late Wednesday.

The patents-in-suit are U.S. Patent Numbers 8,001,434; 8,301,833; 8,359,501; 8,516,185; and 8,516,187.

Netlist is represented by Bartko Zankel Bunzel & Miller PLC, DLA Piper, McAndrews Held & Malloy Ltd. and Keller Rackauckas Umberg Zipser LLP.

Diablo is represented by William F. Abrams, Sanjeet K. Dutta and Douglas Robert Peterson of Stephoe & Johnson LLP.

The case is Netlist Inc. v. Smart Modular Technologies Inc. et al., case number 4:13-cv-05889, in the U.S. District Court for the Northern District of California.

--Editing by Christine Chun.